



**CITIZENS
AGAINST
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WASTE**

Thomas A. Schatz, *President*
1100 Connecticut Ave., N.W., Suite 650
Washington, D.C. 20036
cagw.org

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**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001**

March 1, 2018

Citizens Against Government Waste (CAGW) is filing these comments regarding Order No. 4258, the Statutory Review of the System for Regulating Rates and Classes for Market Dominant Products (Ten-Year Rate Review).

CAGW is a private, nonpartisan, nonprofit taxpayer watchdog founded in 1984, with more than 1 million members and supporters nationwide. The group's mission is to identify, and help eliminate waste, fraud, abuse, and mismanagement.

CAGW has long been concerned with the financial position of the U.S. Postal Service (USPS), including its misguided commercial ventures outside of its core mission of delivering letter mail; its persistent inability to manage its facilities and physical infrastructure; its failure to systematically address labor costs; and, its \$121 billion in unfunded future liabilities, all of which put the taxpayers at an increasing risk of a postal bailout. CAGW opposes allowing the USPS more latitude to raise rates without concomitant requirements that the agency increase efficiency and reduce costs. Such a one-sided approach will only serve to exacerbate the USPS's fiscal woes.

By the Postal Regulatory Commission's (PRC) conservative estimates, the proposal contained in the Ten-Year Rate Review would mean that letters and flats would "experience 5-year cumulative price increases of between 27.93 and 40.58 percent." The PRC proposes giving the USPS additional revenue without mandating any new efficiencies or the establishment of rigorous performance improvements. Under the proposal, the USPS is under no obligation to use the additional revenue to begin to pay down its debt, or fund its hundreds of billions of unfunded liabilities. CAGW strongly opposes any proposal which permits the USPS to maximize revenue without addressing the bloated cost side of its operations.

Although the USPS has shed 300,000 employees through attrition since 2007, the Government Accountability Office (GAO) pointed out on May 11, 2016, that "Key USPS expenses continue to grow, such as salary increases and work hours due in part to growth in shipping and packages, which are more labor-intensive. Compensation and benefits comprise close to 80 percent of USPS's expenses." In a November, 2014 report, GAO observed that "despite the decrease in employees and work hours, USPS's total expenses over this same time period did not decline. This is because average hourly wage and benefits costs have increased due to (1) cost-of-living allowances, (2) rising health benefit costs, and (3) wage increases negotiated in collective-bargaining agreements."

The PRC's strategy will allow the USPS to continue to rationalize an already bloated and inflexible workforce without addressing the management weaknesses intrinsic in the USPS's current business model, which the GAO has repeatedly described as "broken."

We appreciate the PRC's consideration of CAGW's comments regarding the Ten-Year Rate Review and other matters of concern to taxpayers and ratepayers.

Respectfully submitted,

Thomas A. Schatz
President, Citizens Against Government Waste

Leslie K. Paige
Vice-President, Citizens Against Government Waste